

Message Text

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PAGE 01 ANKARA 03810 01 OF 02 170845Z

11

ACTION SS-30

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O 170755Z MAY 74

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC IMMEDIATE 4160

C O N F I D E N T I A L SECTION 1 OF 2 ANKARA 3810

EXDIS

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PASS AMBASSADOR MACOMBER EUR/TUR

EO 11652 GDS

SUBJECT: OPIUM COMPENSATION AND ELBISTAN PROJECT

REF: A) STATE 86717 B) JAMES/TONER TELECON 5/16

SUMMARY: FINANCE SECRETARY GENERAL AHMET TUFAN GUL CALLED IN USAID DIRECTOR TONER MAY 16 RE STATUS OF GOT REQUEST FOR \$5 MILLION TRANCE OF US FUNDS TO COVER FOREIGN EXCHANGE LOSS RELATING TO POPPY BAN. GUL APPARENTLY UNAWARE OF AMBASSADOR'S RESPONSE TO PRIME MINISTER AND FOREIGN MINISTRY, WHICH TONER REPEATED IN SUBSTANCE. GUL DESCRIBED HIS EFFORTS TO PUT TOGETHER \$600 MILLION INVESTMENT PACKAGE FROM IBRD AND OTHER DONORS AND ASKED AID TO SWITCH ITS \$10 MILLION SCHEDULED FOR DEOBLIGATION THIS FISCAL YEAR TO POSSIBLE EXIM PACKAGE FOR FINANCING \$45 MILLION IN US PROCUREMENT FOR ELBISTAN PROJECT. HE IMPLIED THIS POSSIBILITY WOULD MAKE IT EASIER FOR FINANCE MINISTRY TO PLAY A ROLE IN POPPY DISCUSSIONS WITHIN GOT. WHILE MISSION HIGHLY SKEPTICAL OF GUL'S INFLUENCE IN THIS ARENA, TONER PROMISED TO CHECK OUT LEGAL BARRIERS TO SWITCH OF DEOB FUNDS. END SUMMARY

1. FINANCE MINISTRY SECRETARY GENERAL GUL CALLED IN USAID DIRECTOR TONER TO REVIEW STATUS OF GOT REQUEST FOR \$5 MILLION TRANCE OF OPIUM BAN COMPENSATION MONEY. TONER NOTED THE AMBASSADOR DISCUSSED THIS ISSUE BOTH WITH PRIME
CONFIDENTIAL

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PAGE 02 ANKARA 03810 01 OF 02 170845Z

MINISTER AND SECRETARY GENERAL EREZ OF THE FOREIGN MINISTRY.

HE REPEATED POINTS MADE BY AMBASSADOR SAYING THAT THE US INTERPRETED THE POPPY UNDERSTANDING AS A BINDING BILATERAL AGREEMENT TO ASSIST TURKEY IN A TRANSITIONAL PERIOD WHILE IT ADJUSTED TO A PERMANENT BAN. WHILE THE US IS PREPARED TO MEET ITS COMMITMENTS RELATING TO THE \$35 MILLION, IT CANNOT JUSTIFY FURTHER PAYMENTS UNLESS IT RECEIVES SOME ASSURANCE THAT TURKEY WILL MEET THE COMMITMENTS IT HAS MADE. FOLLOWING A BRIEF DISCUSSION WHICH SUGGESTED THAT THE FINANCE MINISTRY HAD NOT BEEN AWARE OF THE AMBASSADOR'S CONVERSATIONS, GUL SAID IN SUMMARY, QUOTE IF I UNDERSTAND YOU, WHAT YOU ARE SAYING IS THAT IF WE GIVE YOU A LETTER INDICATING THAT TURKEY INTENDS TO CONTINUE THE BAN THE US WILL CONTINUE PAYMENTS OUT OF THE \$35 MILLION UNQUOTE. TONER REPLIED THAT THIS WAS A CORRECT UNDERSTANDING. GUL THEN ASKED THAT THE US RESPONSE ON THE \$5 MILLION PAYMENT NOT BE PUT IN WRITING AND PROMISED TO GET BACK TO TONER WITHIN A WEEK ON THE SUBJECT.

2. GUL THEN TURNED TO THE QUESTION OF HIS RECENT TRIP TO THE US WHERE HE WAS ATTEMPTING TO PUT TOGETHER A \$600 MILLION INVESTMENT PACKAGE FOR TURKEY WHICH INVOLVED BOTH ELBISTAN AND OTHER IBRD LOANS, SAYING HE WAS ATTEMPTING TO DO WHAT DEPUTY PRIME MINISTER ERBAKAN HAD FAILED TO DO IN SAUDI ARABIA. GUL SAID HE WAS ON THE VERGE OF SUCCESS WITH HIS NEGOTIATIONS ALTHOUGH A CRITICAL REMAINING ELEMENT INVOLVED ELBISTAN AND SPECIFICALLY THE POSSIBILITY OF US ASSISTANCE FOR THE PROCUREMENT IN THE US OF CONVEYER EQUIPMENT WORTH \$45 MILLION. GIVEN THE COST OF EXIM MONEY, GUL SAID THE ONLY WAY HE COULD HANDLE THIS SEGMENT OF PROCUREMENT WOULD BE FOR A MIXTURE OF EXIM AND AID MONEY, WITH EXIM COVERING \$35 MILLION AND AID COVERING \$10 MILLION. RECOGNIZING THE DIFFICULTIES FACING AID IN PUTTING TOGETHER A LOAN PACKAGE OF THIS TYPE SWIFTLY, GUL PROPOSED THAT AID SWITCH MONEY OBLIGATED IN PREVIOUS YEARS FOR KEBAN AND GOCEKAYA DAMS WHICH ARE NOW SCHEDULED FOR DEOBLIGATION PRIOR TO THE CLOSE OF THIS FISCAL YEAR AND MOVE THESE MONIES INTO THE EXIM PACKAGE. GUL SUGGESTED THAT THIS ACTION WOULD PERMIT THE TYING UP OF HIS NEGOTIATION AND WOULD BE LOOKED UPON GRATEFULLY BY THE GOT AND COULD PROVIDE A VEHICLE THROUGH WHICH A POSSIBLE NEW LOOK AT

CONFIDENTIAL

PAGE 03 ANKARA 03810 01 OF 02 170845Z

OTHER PROBLEMS COULD BE UNDERTAKEN. TONER REPLIED THAT THERE WERE SEVERAL LEGAL AND POLITICAL PROBLEMS TO BE FACED IN THE GUL PROPOSAL FOR AID. FIRST, HE SAID IT IS DOUBTFUL LEGALLY WHETHER UNDER PRESENT LEGISLATION FUNDS BEING DEOBLIGATED COULD BE EARMARKED FOR NEW PROJECTS WHICH HAVE NOT BEEN LISTED IN AID'S PRESENTATION TO THE CONGRESS. HE ALSO POINTED OUT THE DIFFICULTIES OF TRYING TO PUT TOGETHER SUCH A PRESENTATION IN LIGHT OF THE STRUCTURE OF

AID'S CURRENT LEGISLATION WHICH PUTS ITS THRUST IN AREAS OTHER THAN INDUSTRIALIZATION. APART FROM THESE LEGAL CONSIDERATIONS, TONER ALSO NOTED THAT THE APPROACH OF CONGRESS IS HIGHLY CONDITIONED BY THE POPPY DIALOGUE AND THAT HE DID NOT THINK IT LIKELY THAT IN THE PRESENT SITUATION WITH THE PENDING MONDALE/BUCKLEY RESOLUTION RELATING TO SECTION 481 OF THE FOREIGN ASSISTANCE ACT THAT FAVORABLE CONSIDERATION WOULD BE GIVEN TO SUCH A PROPOSAL. GUL SAID THAT HAVING JUST RETURNED FROM WASHINGTON HE IS AWARE OF THE CONGRESSIONAL ATTITUDE ON THE POPPY ISSUE AND SAID HIS QUESTION WAS BEING FOCUSED ON WHETHER IT IS LEGALLY POSSIBLE FOR AID TO SWITCH DEOB MONIES TO ELBISTAN AS HE PROPOSED WITHOUT GOING TO CONGRESS AS APART FROM THE QUESTION AS TO WHETHER OR NOT FOR POLITICAL REASONS IT WAS CONSIDERED EXPEDIENT TO CONSIDER THIS STEP. TONER AGAIN ENUMERATED ALL THE REASONS WHY HE DID NOT THINK WASHINGTON WOULD GIVE A FAVORABLE RESPONSE TO THIS INQUIRY BUT SAID HE WOULD UNDERTAKE TO GET A WASHINGTON RESPONSE ASAP FOR GUL.

NOTE BY OC/T: EXDIS CAPTION ADDED PER S/S-O, MR. KURZE.

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PAGE 01 ANKARA 03810 02 OF 02 170849Z

13

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 /031 W
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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC IMMEDIATE 4161

C O N F I D E N T I A L SECTION 2 OF 2 ANKARA 3810

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3. STAFF MEMBERS WITH GUL INCLUDED MOST OF HIS DIRECTOR GENERALS. THEY RAISED QUESTIONS AS TO THE STATUS OF THE \$10 MILLION IRRIGATED AGRICULTURE LOAN WHICH TONER STATED WAS UNDER STUDY. THEY ALSO ASKED WHETHER THE \$10 MILLION TOURISM LOAN COULD BE REVIVED AND TONER AGAIN STATED THIS IS A MATTER THAT WOULD HAVE TO BE STUDIED. WITH RESPECT TO THE POSSIBILITY OF A LOAN IN FY 75 FOR LONG TERM TRAINING, TONER AGAIN STATED THIS IS AN ISSUE THAT WOULD HAVE TO BE STUDIED LATER.

4. COMMENT. IT IS THE VIEW OF THE US MISSION THAT GUL'S PROPOSAL DOES NOT REFLECT A COORDINATED MOVE OF THE GOT. THIS APPEARS TO US AS A SHOT IN THE DARK PROMPTED BY A FINANCIAL SQUEEZE AS GUL FACES THE PROSPECT OF HAVING TO DIG UP FROM BUDGETARY RESOURCES \$5 MILLION FOR PAYMENT OF COMPENSATION MONEY TO POPPY FARMERS WITHOUT HAVING ACCESS TO US GRANT FUNDS. GUL HAS MANY TIMES ATTEMPTED TO GET AID INVOLVED IN ELBISTAN FINANCING AND THE IMMINENT PROSPECT OF \$10 MILLION OF DEOBS SPURRED HIM TO COME U WITH ANOTHER APPROACH TO THE OLD PROBLEM OF HOW AID COULD BE INVOLVED IN ELBISTAN GIVEN THE NEW DIRECTIONS CONGRESS HAS LAID OUT FOR AID IN OUR PRESENT FOREIGN ASSISTANCE ACT. NORMALLY, THE FINANCE MINISTRY, FOR INSTITUTIONAL REASONS, WOULD TEND TO BE AN ALLY TO US POSITION ON OPIUM SINCE ANY SHORTFALL OF US ASSISTANCE MONEY EITHER MILITARY OR ECONOMIC WOULD HAVE TO BE MADE UP FROM THE BUDGETARY RESOURCES THAT THE FINANCE MINISTRY MANAGES. WHILE WE SEE IT ADVANTAGEOUS TO GET THE FINANCE MINISTRY ENGAGED IN THE DEBATE WITHIN THE GOT, WE ARE NOT SANGUINE THAT ITS PAROCHIAL VIEW WILL CARRY

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PAGE 02 ANKARA 03810 02 OF 02 170849Z

MUCH WEIGHT WITH THIS GOVERNMENT. WE WILL ATTEMPT TO KEEP GUL IN THE PICTURE FOR WHATEVER GOOD IT MIGHT BE. WE ASSUME LEGAL BARRIERS PRECLUDE DIVERTING AID MONIES AS PROPOSED TO ELBISTAN.

5. ACTION REQUEST: WE WOULD WELCOME AID/W VIEWS ASAP RE FEASIBILITY OF MOVING DEOBLIGATED FUNDS TO ELBISTAN FINANCING AS PROPOSED BY GUL.

SPAIN

NOTE BY OC/T: EXDIS CAPTION ADDED PER S/S-O, MR. KURZE.

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